

MARKET NOTE

Enterprise Storage Vendor Pure Storage Turns Heads with Strong Financial Performance Over Its Fiscal 2022

Eric Burgener

EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: Pure Storage Grows FY22 Revenue by 29%, Hitting \$2.18 Billion

On March 2, 2022, enterprise storage vendor Pure Storage released fiscal 2022 financials, showing strong year-over-year revenue growth of 29%. The vendor's resurgent performance, which follows fiscal 2021 in which it only grew revenue by 2.5%, indicates a strong recovery as the information technology (IT) industry recovers from the slowdown of the two pandemic years (2020 and 2021). Pure Storage CEO Charles Giancarlo also provided forward-looking guidance, predicting growth in the 19–20% range for the entire fiscal 2023. The vendor's impressive FY22 performance stands in contrast to many of its competitors that turned in flat or single-digit growth during the calendar 2021 period.

Key Takeaways

- Pure Storage's strong double-digit revenue growth was complemented by a number of other highlights from FY22, including surpassing both the 10,000-customer mark and the 30,000-installed system mark; releasing a new higher-end FlashArray system (the FlashArray//XL), which increased the total addressable market by an additional \$5.5 billion in calendar 2022 alone; and the introduction of Pure Fusion, the vendor's self-service, autonomous storage-as-code platform that delivers the cloud experience in an on-premises managed services offering based around Purity, the vendor's enterprise-class storage operating system.
- As enterprises modernize their IT infrastructure, they need to be able to take advantage of more flexible subscription-based consumption models. Pure Storage has offered these models for several years, and its customers are taking advantage of them in droves — in FY 4Q22, the vendor grew ARR at 42% and hit an ARR run rate of \$848.8 million (against an overall revenue of \$2.18 billion).
- During FY22, Pure Storage announced further improvements to Evergreen Storage customer experience that keeps it well ahead of its competitors and continues to drive compelling value for its customers; although Pure Storage customers that have benefited from Evergreen Storage firsthand during the enterprise storage life cycle understand its meaningful differentiation, it continues to be wrongly viewed as "just a program" by some constituencies in the analyst, vendor, and noncustomer communities that do not understand it — the value this program drives for customers is a strong contributor to its industry-leading SAN market Net Promoter Score of 85.2.

Source: IDC, 2022

IN THIS MARKET NOTE

On March 2, 2022, all-flash enterprise storage vendor Pure Storage released financials for its fiscal year 2022 (from February 4, 2021, to February 6, 2022). This IDC Market Note reviews those results and provides a quick review of the vendor's product and market moves during calendar 2021.

IDC'S POINT OF VIEW

After a strong year of growth in 2018, enterprise storage revenue was basically flat in 2019 and 2020 due to, among other things, a down storage technology upgrade cycle in the enterprise, the continued migration of on-premises infrastructure purchases to the cloud, and then later a COVID-19 pandemic-induced drop in enterprise storage revenue growth. Most of the top market share by revenue leaders in the all-flash array (AFA) market (Dell, NetApp, Hewlett Packard Enterprise [HPE], IBM, and Pure Storage) were impacted by this slowdown. During this period, Pure Storage did continue to turn in positive revenue growth and, in fact, grew revenue by 21% in its FY20 but only by 2.5% in FY21 (note that the vendor's fiscal year does not exactly correspond to the calendar year). A resurgence of external storage market revenue in calendar 2021 indicated a strong recovery, but those gains were not shared equally across all the major players in the external storage market. Pure Storage, however, experienced 29% year-over-year growth, achieving full-year revenue of \$2.18 billion for its FY22.

In addition to the return to strong double-digit revenue growth, Pure Storage turned in other impressive numbers. A slew of new subscription-based offerings helped drive full-year subscription services revenue to \$738.5 million, representing 37% year-over-year growth. FY 4Q22 revenue was particularly impressive both for subscription services (which turned in 42% year-over-year growth) and overall (which demonstrated 41% year-over-year growth). Based on FY 4Q22 performance, Pure Storage hit an annual recurring revenue (ARR) run rate of \$848.8 million in FY 4Q22, representing almost 39% of the vendor's overall annual revenue. As cloudlike computing models influence more of the customer experience (CX) around on-premises infrastructure, ARR is an important metric that is openly tracked and shared by most of the major enterprise storage vendors. In developing a large and rapidly growing ARR stream, Pure Storage is not only meeting its customers' requirements for more flexible purchasing options but also building a stronger balance sheet (since much of this revenue is based on three- and five-year contracts).

The vendor's revenue is driven primarily by two enterprise storage platforms: the FlashArray and the FlashBlade. The FlashArray is a dual-controller, unified (block and file) array that back in 2012 kicked off the industry move to AFAs for primary storage workloads. The FlashBlade is a scale-out, unstructured storage platform supporting file- and object-based access methods. Interestingly, Pure Storage uses proprietary solid state storage devices that the vendor builds itself in these systems, making a very strong case why that choice offers its customers better performance, storage density, media endurance, and time to market with new flash media than its competitors that use commodity off-the-shelf solid state disks (SSDs). Together, these two systems cover most of the workloads that enterprises want to run.

Pure Storage experienced a very good year in many respects in FY22, not just financial:

- The vendor expanded its use case, industry and geographic focus, surpassing the 10,000-customer mark with over 30,000 installed systems prior to the end of the year.

- A new higher-end FlashArray, dubbed the FlashArray//XL, was announced in December 2021, driving a nearly 80% improvement in single-system IOPS that allows Pure Storage to bring its industry-leading customer experience, as represented by the highest audited Net Promoter Score (NPS) for a SAN vendor in the enterprise storage industry of 85.2, to a whole new class of more demanding workloads.
- The broader use of new media types including both storage-class memory (based on Intel Optane technology) and quad-level cell (QLC) flash media further expanded Pure Storage's storage platform capabilities in terms of performance and price/performance.
- New releases of Purity, the vendor's enterprise-class storage operating system, were released for both FlashArray and FlashBlade, introducing new access methods, broader replication capabilities, better ransomware protection with SafeMode immutable snapshots, and improved support for container-based environments with its Portworx offerings.
- In calendar 2Q21, FlashBlade surpassed \$1 billion in lifetime sales and had been installed in production in more than 25% of the Fortune 100; the unified fast file and object platform is used for a variety of different workloads, including big data and analytics, artificial intelligence (AI) and machine learning, genomics sequencing, active archives, and data protection.
- Pure Fusion, the vendor's self-service, autonomous storage-as-code platform that delivers the cloud experience in an on-premises managed services offering based around Purity, was introduced.
- The vendor expanded research and development resources with the opening of a new site in Bangalore, India, to complement existing sites in Mountain View, California; Bellevue, Washington; Vancouver, Canada; and Prague, the Czech Republic.

Pure Storage CEO Charlie Giancarlo also released forward-looking guidance for the coming year, pegging expected FY 1Q23 revenue at \$520 million (representing almost 80% year-over-year growth) and FY23 revenue at \$2.6 billion (representing anticipated year-over-year growth in the 19-20% range). The vendor will be returning to an in-person user group event in the early summer (although conference proceedings will also stream live as a virtual event), another sign that the industry is moving beyond the pandemic.

Even as its competitors have tried to copy it, Pure Storage has continued to innovate with its Evergreen Storage capabilities to drive differentiating value for customers around ease of use, customer satisfaction, capacity consolidation, technology refresh, and value for the money across the entire storage life cycle (not just initial purchase). Although Pure Storage customers that have benefited from Evergreen Storage firsthand across one or more of these facets get how differentiated the program is, it continues to be wrongly viewed as "just a program" by some constituencies in the analyst, vendor, and noncustomer communities. Two recent IDC documents (see *Evergreen Storage Continues to Drive Industry-Leading Customer Experience as a Differentiator for Pure Storage*, IDC white paper #US48785022, January 2022, and *Architectural Design Decisions Directly Support a Better Customer Experience for Pure Storage FlashArray Users*, IDC #US46800220, September 2020) explain exactly how this program is different, noting that it is based on architectural design decisions in Pure Storage arrays that synergistically combine with program elements to drive value.

Other vendors' programs just have program elements without specific architectural support. Evergreen Storage is a strong contributing factor to the vendor's industry-leading NPS and will no doubt begin to turn heads in the high-end storage markets that the new FlashArray//XL will allow Pure Storage to address. Success in this new market segment (for Pure), along with the increasing penetration of AI-driven workloads in enterprises that run very well on FlashBlade, will contribute, along with increased

ARR business and compelling hybrid multi-public cloud capabilities, to the vendor's strong anticipated revenue growth for FY23.

LEARN MORE

Related Research

- *What to Look for When Considering Enterprise Storage Workload Consolidation* (IDC #US48670822, January 2022)
- *Worldwide and U.S. External Enterprise Storage Systems Forecast Update, 2021-2025* (IDC #US48454421, December 2021)
- *Worldwide File- and Object-Based Storage Forecast, 2021-2025: New Enterprise Workloads Driving Strong Growth* (IDC #US48403021, December 2021)
- *IDC FutureScape: Worldwide Future of Digital Infrastructure 2022 Predictions* (IDC #US47441321, October 2021)
- *Pure Storage Delivers Consistent, On-Demand Data Services Across All Deployment Models* (IDC #US48300521, October 2021)

Synopsis

This IDC Market Note reviews all-flash enterprise storage vendor Pure Storage's financials for its fiscal 2022 (from February 4, 2021, to February 6, 2022) released on March 2, 2022. It also provides a quick review of the vendor's product and market moves during calendar 2021.

"Pure's fiscal 2022 results indicate a strong resurgence for the vendor as the world emerges from the almost two-year pandemic enterprise storage market slowdown," said Eric Burgener, research vice president, Infrastructure Systems, Platforms and Technologies Group at IDC. "The vendor expects continued strong revenue growth in the coming year as its investment bets were well chosen to align with evolving digitally transforming customer requirements."

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Global Headquarters

140 Kendrick Street
Building B
Needham, MA 02494
USA
508.872.8200
Twitter: @IDC
blogs.idc.com
www.idc.com

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